

The Secret Sauce for Multibagger returns: The Untold Story



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The Milestone

On 3rd August 2023, our AIF – Aequitas Equity Scheme 1, reached a significant milestone of \$100 Million AUM. While AUM building has never been a forefront agenda, it's a positive feat reassuring the faith our investors have shown in us. The contrarian, as we boastfully like to call ourselves, we continue to take the road less travelled, focusing 1-on-1 relationship with our investors, without taking the distributor and empanelment route to market ourselves.

Embarking on our AIF Journey in March 2019, with a fund corpus of \$6 million and, in 4 years, commanding a fund AUM of \$100 million, validates the robustness of our investment philosophy, which has helped us navigate turbulent market cycles over the years.

As amazing as this sounds, it is only half the truth.

The Journey

Aequitas started building wealth for investors in 2013, when we launched our first product, Portfolio Management Services (PMS). After delivering consistent returns for our PMS, a bespoke portfolio service which today stands at 37% CAGR over 10 years, we felt the market's need for an equally good investment option with lower ticket size, but the same investment philosophy at core.

And thus, 18 March 2019 we launched **Aequitas Equity Scheme 1**, our AIF, with a portfolio value of

\$6 Million and 16 stocks – all the AIF stocks were also part of the PMS stock set.

While 2019 was a memorable year for us as our new champion was out in the battlefield, 2020 was equally memorable for all the wrong reasons – as we were hit by the unknown, pandemic COVID-19. It affected every household across the globe, and that proportionally reflected on the stock market that fell into panic selling. "It was a rough and challenging period!!" Siddhartha says further, "Global economies were falling apart to a challenge which no superpower in the world was prepared for".

18 March 2020, exactly on 1 year anniversary of our AIF – Aequitas Equity Scheme 1, was in negative. Many would have crumbled under this pressure and drawn curtains given such a disheartening start.

What did we do?

Nothing! There was nothing to be done in terms of our portfolio strategy. We entered our initial holdings not because of some momentum or popularity, which had turned upside down. We have a

strong & proven Multibagger investment philosophy which focusses on three pillars –
Growth, Contrarian & Value.



Growth: We identify companies whose numbers are fundamentally strong and show great growth potential for 3-5 years. The markets reward a higher PE multiple for growth companies.

Contrarian: Contrarian approach does not mean doing the opposite of others, rather, it means doing things differently. Buying the popular names will not provide Multibagger returns. This gives us the necessary edge over others as when our stocks get the long due attention, we are mostly done reaping all the benefits already.

Value: We enter the stock at a very reasonable valuation. This is critical as there has to be scope for potential re-rating. A combination of EPS growth and PE re-rating leads to Multibagger returns.

As nothing had impacted the philosophy pillars, we DID NOT QUIT even a single holding out of our original 16 AIF stocks. And we had the trust and backing of our investors too as we witnessed 0% churn rate during this tough period, i.e., none of our initial investors part ways. Do you think they knew it is just a phase and what the future truly holds? Maybe. Maybe not. But we knew for sure!

How were we so sure?

Well, we had our **Skin in the Game**. All our Aequitas employees were (and continue to be) investors in the AIF. We firmly believed that it is the best wealth generating machinery available in the Indian equity market. And **'hell yeah!'** we were right about it.

Also, we had a promise to our investors, an unsaid promise to build wealth for them – more than the market indices. If they have shown their trust by putting in their hard-earned money, it is our job to fulfil their expectation of building wealth – and so we reciprocated by taking the bold call of not charging any fee till we have justified our proposition.



So, for 18 months since inception, we charged **Zero fees to our investors**. We stood by their faith in us.

A year later, on the 2nd Anniversary of our AIF, March 2021 we made positive returns on our initial investment – as we bounced back from our lowest position during the period. But our first

milestone was still a few miles away – building true wealth for our investors, more than the market average.

So, we Did Not Charge Performance Fees, till we delivered on our unsaid promise in April 2022.

What is the secret sauce?

As you would have figured too by now, the only secret is **ignoring the noise** around and backing the basics. There are many small market correction cycles that have occurred since pandemic, and it will continue to (maybe there is one as you are reading it) – that is the nature of stock market. The one thing that is rooted is the fundamentals of the companies invested in, backed by a thorough investment philosophy of Aequitas. While our cumulative results stand astonishingly positive, we feel proud to say that it is because of multiple individual stocks and not just one crazy Multibagger.

We held onto the fundamentally strong 16 stocks that aligned with our investment philosophy and as result, **10 out of 16** stocks emerged as **MULTIBAGGER** over the period.

These included:

- Technocraft Industries India Limited
- Jindal Saw Limited
- Apar Industries Limited
- Jindal Stainless Limited
- Sanghvi Movers Limited



We are the contrarians, who do not get moved due to market shifts, corrections. We come from the Mr. Peter Lynch school of thoughts and as he says, "*The real key to making money in stocks is not to get scared out of them.*"

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